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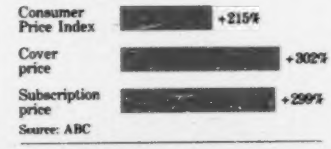
In-house stripping saves publisher $50,000 annually

With its printer's cooperation, Down East Enterprises produces its own plate-ready flats. 44

Magazines ranked top corporate image vehicle

MPA survey reveals how advertisers, agencies rank various media in terms of their ability to accomplish major advertising objectives. Magazines shine in several areas. 17

Average circulation price increases 1967-84



Source: ABC

Single-copy 'myths' debunked

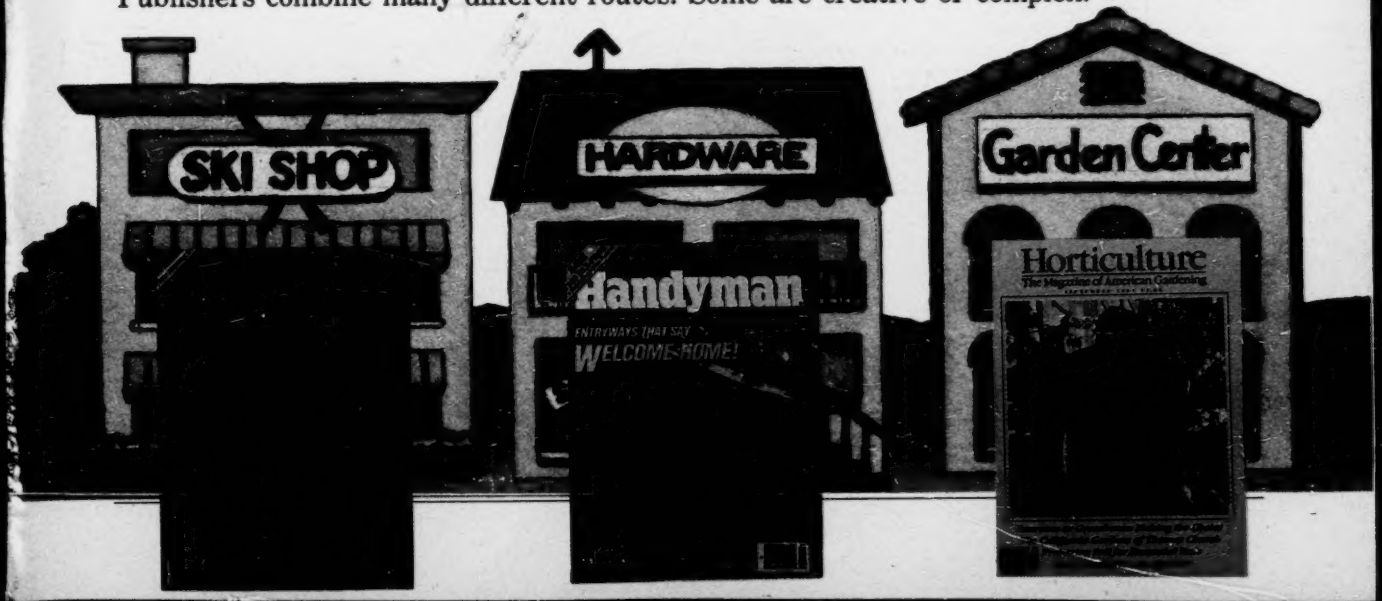
Attempts to blame the single-copy sales erosion on subscription discounting are misguided, asserts Time Magazine Group president. Cover and subscription prices have risen almost equally. 17

Small-magazine publishers roundtable

Magazines with small staffs and small circulations have special problems and opportunities. Ten savvy publishers exchange ideas at this special FOLIO: event. 102

Alternate single-copy distribution

Where there's a will there's a way for special interest titles to get on the newsstand. Publishers combine many different routes. Some are creative or complex. 86



June 1986

Gearing up for gift subscriptions 94

Start planning now to take advantage of this simple, cost-effective, sure-fire subscription promotion. This article will point the way.

Production manager's art: Quality control 114

The production manager must consider time and cost and still achieve the highest possible level of quality.

Restless junior editors seen as a growing problem 21

Some senior editors say it's increasingly difficult to keep and develop fledgling editors. The new breed seems to be easily burned out and not easily satisfied in terms of salary and advancement, they contend.

Muscular merchandising 124

Misunderstood, misused and abused, merchandising is potentially one of the most powerful strategic weapons in the magazine sales arsenal.

'End postal subsidies' 150

A strong case for eliminating all third class postal subsidies is made by James Mulholland Jr., president of Hayden Publishing, before the Postal Rate Commission.

Protecting against data-processing disasters 19

Practical solutions for safeguarding publishers' precious fulfillment tapes and other company stored and generated data from fire, blackouts and other threats.

UPDATE

Training salespeople to help avoid make goods. 18

Newsstand distributors warming to variable discounts. 20

Ad effectiveness studies: Handling advertiser expectations. 27

Canada Post updates regulations. 28

Readers asked to act as mail monitors. 37

Association magazines: Lifting ad sales. 38

COLUMNISTS

***New York's* evolutionary redesign,** by John Peter. 121

Single-copy sales decline—or not? by Ron Scott. 129

Writing teaser copy, by John Klingel. 131

Winning ad sales with research, by Bill Abbott. 133

Production suppliers: Negotiate now, by Jeff Parnau. 135

DEPARTMENTS

Letters 8
Briefings 11
Hanson on Magazines 14
Update 17
Magazine People 61
Magazine Watch 67
List Watch 77
Calendar 84
Classified 137
Point of View 150

UPDATE

Single-copy 'myths' debunked

Common, convenient explanations of the newsstand problem don't fly, New York Times magazine chief asserts

North Hollywood, Fla.—Certain widely held beliefs about the fall-off in single-copy sales are unsupported by the facts, William Kerr, president of The New York Times Magazine Group, maintained in a candid speech at a recent wholesalers' convention.

The publishing executive emphasized that discarding what he maintains are erroneous ideas is prerequisite for coming up with real solutions to the sales slump.

Despite all the attention focused on the problem lately, the decline in sales is not a new phenomenon, Kerr reminded distributors and publishers attending the Atlantic Coast Independent Distributors Association meeting here. Newsstand sales as a percent of total circulation have been steadily declining for the past 25 years, he pointed out. Single-copy sales' share of total circulation has dropped 18 percentage points since 1950, with 10 of those points lost in the last decade. The same pattern holds for major check-out titles: Unit sales of the 20 leading front-end magazines fell from 1.6 billion copies for all of 1980 to 1.4 billion in 1985, according to Audit Bureau of Circulations data.

Considering that the decline is a long-term trend, not a short-term aberration, Kerr went on to refute many of the theories that have been tossed

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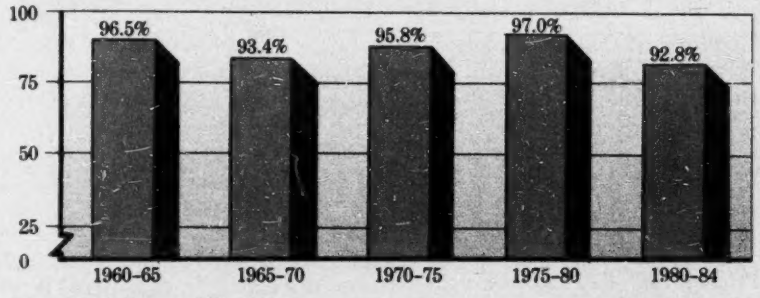
Discounting relatively constant

Average subscription price as percent of cover price



Source: Audit Bureau of Circulations

***Rampant subscription discounting**, a common explanation for the single-copy sales decline, is a myth. Sub prices averaged 96.5 percent of cover prices from 1960 to 1965 and have remained fairly stable, dropping only somewhat since 1980, to 92.8 percent of cover price.*

Magazines rated best vehicle for building corporate image

Advertisers rank each medium on ability to fulfill objectives, execute strategies

New York City—Compared to other media, magazines are the best advertising vehicles for building corporate image, marketers and ad agencies believe. But magazines stand second to television in accomplishing other common advertising objectives.

According to results of a Magazine Publishers Association survey of 222 ad agencies and advertisers, magazines are viewed as superior to television, newspapers and radio for executing a variety of advertising strategies and tactics, as opposed to accomplishing objectives. They far outranked television, for instance, in their ability to help marketers communicate detailed or sensitive information; reach special interest and upscale targets; and achieve maximum believability for brand claims. They are also believed to be very effective in building brand image/prestige; increasing package identification; and emphasizing the style or beauty of a product.

Television received the highest

marks from respondents on its ability to generate widespread demand and to demonstrate a product or service. The respondents said that in selecting a medium to carry out strategies and tactics, it was most important to them that the medium be able to build brand image/prestige—an attribute on which magazines and television were rated almost equally as high.

Asked to rate the importance of various considerations in choosing an advertising medium overall, the respondents said that the audience sought, the type of product being advertised and the editorial or program environment were most important. Last on the list of considerations was whether or not the medium is willing to negotiate rates, and the ease of ad placement under deadline constraints. These factors, however, were still considered somewhat important.

The tools regarded as most useful in selecting media, according to the survey, are the Nielsen ratings, studies done by the ad agency, Simmons Market Research Bureau data and ABC Publisher's Statements. The decision maker most involved in selecting media at agencies is the media director; at the client company it is the vice president of advertising.□

Agencies, advertisers rate media on ability to achieve advertising objectives

Mean average scores
(0=no ability; 7=excellent ability)

Objective	Magazines	Newspapers	Radio	TV
Build a corporate image	6.25	3.75	3.34	5.70
Introduce new product/brand	4.95	4.39	4.02	6.68
Build share for existing brand	4.96	4.07	4.55	6.26
Reverse declining brand share	4.35	3.72	4.15	6.10
Reposition existing brand	5.16	3.60	3.96	6.02
Promote brand extensions	5.12	4.16	4.04	5.87

Source: Magazine Publishers Association

In addition to their corporate image enhancing power, magazines are perceived as being a better than average vehicle for repositioning an existing brand and promoting brand extensions, according to the MPA survey of 222 ad agency and advertiser executives.

Salespeople shouldn't agree to make goods

Training them to refer problems to production works for Technical

Few make goods have been necessary since Technical Publishing began instructing salespeople to let production handle ad reproduction complaints, notes production executive Dollie Viebig.

New York City—When it comes to complaints about ad reproduction, the customer *isn't* always right. Salespeople who agree too readily with disgruntled clients can end up costing a publisher unwarranted make goods.

To avoid such problems, ad salespeople at Technical Publishing Company are instructed in how to deal with advertising client complaints, according to Dollie Viebig, production director for the company's New York region. The salespeople, she explains, are told never to agree to a make good themselves, but to listen to a client's problem and report it to production department personnel—who in turn investigate and determine whether or not a make good is warranted.

Since the policy was instituted, she reports, the publisher has had to do very few make goods.

When Technical switched to a lighter, less expensive paper a while back, the company started receiving complaints from some agencies about ad reproduction, Viebig says. Agencies that were running the same ad in one of Technical's magazines and in another publisher's consumer magazine sometimes complained that the ad didn't look as good in the Technical publication, she says.

In reality, the difference in the ad's appearance was not necessarily because of a printing problem with the Technical publication, but simply resulted from the difference in the stocks used by the two magazines, she explains. Moreover, what was considered poor reproduction by the client was sometimes limited to only a few copies in the press run.

Helping during sales

Too often, however, a salesperson would immediately agree with a client when confronted with a complaint, she says. That salesperson is then put in an awkward position with the agency when a production manager who is better able to judge the situation has to rule that a make good is unjustified after the salesperson has said it is, and the production department catches flak from the salesperson, Viebig points out.

In addition to instructing salespeople to refer complaints to production, Technical now also advises them to explain to clients how different types of paper will affect the reproduction of an ad, and to put this in the context of benefits such as a publication's particularly complementary editorial environment and availability of good ad positions.□

CONTINUED FROM PAGE 17

"Advertisers perceive no added value in single copy"

about recently to explain the drop. "We must recognize that some commonly held perceptions which attempt to explain away the slippage in single copy may not be valid," Kerr said. "Selective vision and self-deception are two luxuries which few of us can afford, particularly in today's market."

Myth of rampant discounting

Attempting to blame the problem on rampant subscription discounting "just doesn't fly" when the facts are examined, the publishing executive asserted. While the growth of subscription-generated circulation has outpaced that of newsstand circulation, an examination of pricing trends over the past 20 years shows that prices have grown at nearly the same pace for the two circulation sources. The aggregate level of subscription discounting in the last 25 years has remained fairly constant over time, Kerr continued, though he acknowledged that, in certain magazine categories, discounting has become "absurd."

Another common gripe from single-copy distributors is that publishers are irrationally abandoning the profitable newsstand business for the unprofitable subscription business. Here again the data show that publishers are behaving with justification, Kerr contended. Data drawn from the annual financial survey conducted for the Magazine Publishers Association reveal that, over the past 15 years, subscription sales' contribution to profit as a percentage of subscription revenue has increased 10 percentage points. The contribution from single-copy sales, on the other hand, has declined by 22 percentage points, even without factoring in the cost of returns. The analysis suggests that publishers are not "moving in an irrational economic direction as they move in the subscription direction," Kerr remarked.

A third common argument on behalf of single-copy circulation is that single-copy buyers are worth more to advertisers and therefore ought to be able to command a higher fee in the advertising marketplace. Stressing that he personally believes newsstand buyers are better prospects for advertisers,

CONTINUED ON PAGE 27

Circulation's contribution to revenue and profit

	1970	1975	1980	1984
Total number of magazines reporting	52	107	158	172
Gross subscription revenue*	27.91%	30.91%	32.67%	32.97%
Gross single-copy revenue	7.76	12.49	16.19	15.12
Total circulation revenue	35.67%	43.40%	48.86%	48.09%
Subscription/single-copy revenue ratio	78/22	71/29	67/33	69/31
Total circulation expenses	22.43	20.57	27.11	28.02
Total circulation contribution	13.24	22.83	21.75	20.07
Marginal circulation contribution	37.12	52.60	44.51	41.73
Expenses/percentage	62.88	47.40	55.49	58.27
Subscription contribution	7.92	13.38	13.86	13.00
Marginal subscription contribution	28.38	43.29	42.42	39.43
Single-copy contribution	5.32	9.45	7.89	7.07
Marginal single-copy contribution	68.56	75.66	48.73	46.76
Subscription/single-copy contribution ratio	60/40	59/41	64/36	65/35

Source: MPA/Price Waterhouse Financial Survey
*All figures expressed as percent of total revenues except marginal contribution figures, expressed as percent of relevant circulation revenues

***Trends in subscription** and single-copy economics are evident from this long-term analysis of the annual Magazine Publishers Association/Price Waterhouse Financial Survey. While gross subscription revenues are about double single-copy revenues, single copy's share of circulation income has grown considerably since 1970. The revenue ratio now stands at 69 percent subscription to 31 percent single copy. As for contribution to profit, subscriptions have steadily gained on the typically more profitable single-copy source. Subscriptions marginal contribution (or profit margin) grew from 28.38 percent in 1970 to 39.43 percent in 1984. In contrast, marginal single-copy contribution eroded drastically, from a high of 75.66 percent in 1975 to 46.7 percent in 1984. This reflects explosive growth in commissions. According to MPA, since 1975 these costs (which include commissions, brokerage fees and retail display allowances) have been the fastest growing expense items for publishers by a factor of six to one.*

Net cost per copy after manufacturing costs

(expressed in cents)	1975	'76	'77	'78	'79	'80	'81	'82	'83	'84
Subscription	-14	-12	-11	-12	-12	-7	-8	-5	-3	-6
Single copy	-3	-5	-6	-8	-11	-9	-13	-9	-6	-8
Single copy vs. subscription	+11	+7	+5	+4	+1	-2	-5	-4	-3	-2

Source: MPA/Price Waterhouse Financial Survey

***After allocating a portion** of manufacturing costs, a comparison can be drawn between the per copy net loss of subscription versus newsstand sales. The loss per subscription copy has decreased since 1975 from $.14 per copy to $.06 in 1984, while the loss per newsstand copy has grown from $.03 to $.08 during that period. Single-copy sales remained more profitable until 1980, when the loss of $.09 per copy after manufacturing costs overtook that of subscription's loss of $.07 per copy. That relationship has held ever since. As of 1984, each newsstand copy cost publishers an average of $.02 more than each subscription copy.*

CONTINUED FROM PAGE 22

Kerr stated that advertisers do not believe it and will not pay more for newsstand buyers. A Times Magazine Group survey of 20 leading ad agencies on the question of reader quality elicited this typical response: "Full price buyers have no more value than those who paid less, in terms of ad exposure."

"We shouldn't fool ourselves into believing that the quality issue of our single-copy customer base will compensate in the advertiser's mind for the quantity," he said.

Marketing dollars are up

The contention that publishers are not spending enough to market single copies to consumers also does not hold up under scrutiny, Kerr said. According to results compiled from MPA's annual financial survey, newsstand commissions and promotion costs as a percentage of single-copy revenue have escalated approximately 22 percentage points since 1969. Today, more than 50 percent of total single-copy revenue is being spent on marketing single copies, according to the survey. The question is not how much money is being spent, Kerr remarked, but rather how it is being spent.

Finally, Kerr addressed the belief that all magazines will benefit from the increasing use by supermarket retailers of direct product profit (DPP) to measure a product's contribution to the bottom line. "As DPP becomes more widely applied, retailers are going to focus on the fact that a very small number of titles with very high volumes have the big profit impact in their stores," he stated. "The pressure for retailers when they have that kind of strong profit data will put pressure on all of us to focus on the big titles and to provide perhaps less space to the smaller titles. I think as the retailers get the data and learn how to use it, there will be a fallout."

Truths about the single-copy decline

What then is actually contributing to the single-copy sales decline? Several changes in both the demographic make-up of the U.S. population and the retailing marketplace, according to Kerr. The dramatic growth in the number of working women—today one in every two adult women works—and accompanying shifts in shopping patterns are a primary cause, the executive noted. Forty percent of all supermarket dollars are now spent by male shoppers. Teenagers also control enormous amounts of discretionary income: In 1984, for example, 9 percent of all grocery purchases were made by teenagers. Males and teenagers, Kerr emphasized, are *not* the traditional purchasers of many of the leading checkout magazines.

There has also been a reduction in the number of store visits consumers are making. Recent research in which The New York Times Company has been involved shows that not only has there been a cutback in the frequency of store visits, but the duration of the typical shopping trip is also shrinking. From an average of 26 minutes per trip several years ago, the time spent shopping has fallen to 22 minutes today, according to Kerr. As a result, publishers are presented with fewer opportunities to sell magazines.

But consumer sensitivity to cover price increases may be at the heart of the sales decline. An analysis of sales and pricing trends in five-year blocks dating back to 1960 shows that the one period of particularly strong single-copy sales—1970 to 1975—occurred at the one and only time that cover prices grew at a rate slower than the general inflation rate. Aside from the five-year period, cover prices have advanced 50 percent faster than general inflation.

"I think that trend is highly suggestive of the problem—that we may have let the pricing of magazines go a little too far ahead of where the consumer is," he remarked. "We cannot underestimate the growing resistance to price." (*For another view on the single-copy trend, see page 129.*)□

Ad effectiveness studies: Minimizing potential for advertiser disappointment

Salespeople and advertisers should know the ropes before the study is done

New York City—When pitching prospects, ad salespeople tend to promise more from benchmark ad effectiveness research than can reasonably be expected. To help ensure that advertisers won't be disappointed when the research comes in, McGraw-Hill Research gives salespeople copies of its guidelines on how research will be conducted, and as to what kinds of results can reasonably be expected.

Typically, benchmark research done for an advertiser includes a study of reader awareness of the advertiser's message before ads are run in a magazine (the benchmark), followed by a study conducted after the ads have appeared.

A common misunderstanding is that only three or four insertions are needed to produce results, says Joan M. Bullen, director of media research at McGraw-Hill Research, which conducts studies for both McGraw-Hill and outside, noncompeting publications.

An advertiser who runs only a few insertions is bound to be upset with the magazine when follow-up studies come in, she notes. The guidelines state that with a weekly publication, there must be at least eight to 12 insertions over six months before a change in measured awareness can reasonably be expected. With a monthly, at least 12 insertions over 12 months is recommended.

Other guidelines on benchmark research are as follows:

•Questionnaires will be designed to measure the specific communication objectives of the advertiser's ad. Objectives must be detailed enough to delineate themes, key words and phrases.

•The survey sample must consist of a representative selection of the specific target audience the client wishes to reach.

•The sample should have at least 500 to 1,000 respondents. A large sample is particularly important when the data being gathered are very specific or when there is inherently low interest in the advertiser's product.

•Results will be based on readers of at least three of the last four issues. Such readers are more likely to have an opportunity to have seen the ad.

•Tabulations should be based on those who have purchasing responsibility for the advertised product. These people tend to have more of an interest

kits, as house ads, etc. Publishers may insert their own logos on each ad.

Inside Print publisher Ira Ellenthal, citing the $242 million decline in network television ad revenues in 1985, rising prime time CPMs and advertisers' concerns about commercial "zapping," commented, "If ever there were a propitious time for magazines and newspapers to win a far more equitable share of the advertising dollar, it is now." Ellenthal maintains the "Proprint" ads offer a way for magazine and newspaper publishers to "speak with one voice" to advertisers and agencies about the power of print advertising.

30 Million Viewers Have Discovered
How To Watch Your 15-Second
Commercial In Just 2½ Seconds
A message from
(Your logo goes here)

***Free ads** promoting print advertising are available for use by publishers.*

Magazine Publishers Association president William F. Gorog recently sent a request for 40 sets of the ads, to be distributed to MPA board members, along with his praise for the concept and the execution of the ads, according to Ellenthal.

To participate, contact *Inside Print*, 240 East 81st St., New York, N.Y. 10028.□

Make sure printer is giving wholesalers sufficient lead time

Most IDs surveyed want magazines 10 to 14 days ahead

Clearwater, Fla.—One mark of an efficient printing company is a good record for shipping newsstand copies to wholesalers early enough so that the independent distributors (IDs) can organize the magazines and get them out on the stands on time.

This is considered so important to a magazine's single-copy sales that Hearst Magazines monitors shipments and makes lead times a negotiating point with its printers, according to its director of customer services Lawrence C. Flynn.

How much lead time is enough? Hearst recently surveyed 380 wholesalers, asking them how much in advance of retail distribution they needed to receive a monthly magazine, Flynn reported, at an addressing/distribution conference sponsored by the Graphic Communications Association. Fifty-five percent of the wholesalers answered that they want copies on hand from 10 to 14 days prior to publication date; 45 percent want copies at least seven to nine days in advance.

Given that transit time between printers and wholesalers probably averages 11 days, printers must ship magazines 21 days prior to publication date in order to get them to wholesalers 10 days before that date, said Flynn.

To expedite shipment and handling, Flynn also asks that, whenever possible, all copies of magazine titles bound for the same wholesaler be wrapped in stretched plastic on slip sheets and be delivered together in "unitized loads." The small additional expense to the printer by doing this is offset by greater ease of loading and unloading trucks, he said, just as palletizing subscription copies eases distribution Postal Service.□

Lead times requested by wholesalers (monthly magazines)

Number of days preferred	Number of wholesalers or cities
14	6
13	1
12	20
11	9
10	174
9	15
8	43
7	112

Source: Hearst Magazines

***Ensuring on-time display:** 55 percent of 380 major wholesalers recently surveyed said that they need to receive monthly magazines at least 10 days prior to publication date.*

New Shelter tops MRI audience survey

New Shelter and *The New Yorker* showed the greatest percentage increases in magazine readership in Mediamark Research Inc.'s (MRI) spring 1986 consumer magazine report, which surveyed the readership of 164 magazines and magazine groups. Comparing adult readership in the spring 1986 report with that of the fall 1985 report, *New Shelter* rose by 28 percent; *The New Yorker* went up by 22 percent.

Other magazines that experienced significant percentage increases in audience were *Delta Sky* (+16.3 percent), *American Health* (+15.2 percent), *Fortune* (+15.2 percent), *Inc.* (+14.3 percent), and *Country Living* (+14.2 percent).

The magazines with the largest percentage drops in adult readership were *Byte* (-23.7 percent), *Playgirl* (-16.1 percent), *American Way* (-12.5 percent), *Personal Computing* (-11.4 percent), *Scientific American* (-11.3 percent) and *Runner's World* (-10.3 percent).

In total, 85 magazines gained and 55 lost audience as compared with the results of the fall 1985 report, which covered 140 magazines.□

Ad revenue sets first quarter record

Magazine ad revenue for Publishers Information Bureau members for the first quarter of 1986 reached a record total of $1,149,533,168—an increase of $65,787,667, or 6.1 percent over the same period in 1985. Ad pages also set a record for the period, at 35,242.31—up 201.15, or 0.6 percent, as compared with the same quarter in 1985.

Revenue for the month of March totaled $456,329,825—an increase of $36,164,432, or 8.6 percent over March 1985. Pages were 13,732.93 for the month, up 113.9, or 0.8 percent.□

Microfiche saves *Reader's Digest* $50M annually

A system for generating and reproducing microfiche from information stored on a computer helps *Reader's Digest*